

O P 041420Z DEC 08
FM AMCONSUL HO CHI MINH CITY
TO SECSTATE WASHDC IMMEDIATE 5197
INFO AMEMBASSY HANOI PRIORITY
AMCONSUL HO CHI MINH CITY PRIORITY
USDOC WASHDC PRIORITY 0090
DEPT OF TREASURY WASHINGTON DC
ASEAN REGIONAL FORUM COLLECTIVE
AMEMBASSY BEIJING

C O N F I D E N T I A L HO CHI MINH CITY 001055

STATE FOR EAP/MLS

E.O. 12958: DECL: 11/7/2028
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SUBJECT: SOUTHERN LEGISLATOR ON PUBLIC FEARS ABOUT THE ECONOMY AS
THEY PLAY OUT IN THE NATIONAL ASSEMBLY

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Consulate General Ho Chi Minh, Department of State, REASON: 1.4
(b), (d)

Please note: This cable was originally transmitted on Nov 7,
2008, but due to technical difficulties was not properly
disseminated. We are retransmitting now.

¶1. (C) Vietnam's National Assembly is bracing for the impact of
the global financial meltdown, according to National Assembly
delegate and chairman of Vietnam's largest retailer Saigon Coop,
Nguyen Thanh Hoa. On break from the current National Assembly
session in Hanoi, Hoa explained that "most everything" on the
minds of delegates, whether disciplining state-owned enterprise
investment or improving product safety, relates back to anxiety
over the state of the world economy and trade. But delegates
aren't talking about slowing down the pace of reform, and this
means opportunities for the United States, especially apples,
milk and even processed foods, because Vietnamese consumers are
shifting from brand-recognition to country of origin as a
leading factor in their buying decisions. End Summary.

A Rarity -- Business Leader and Legislator

¶2. (C) National Assembly member Nguyen Thanh Hoa returned to Ho
Chi Minh City on November 7 to catch up on his responsibilities
as Chairman of Vietnam's largest retail chain. Saigon Coop
boasts 45-50 percent market share in Vietnam's modern retail
sector with more than 40 stores in 13 provinces. This year
Saigon Coop will expand to the Central Highlands province of Dak
Lak and Mekong Delta province of Ben Tre in order to capture
some of the increased purchasing power in these areas.

National Assembly Eyes SOE Investment and Gas Prices

¶3. (C) Hoa said the National Assembly is now focused on "the
Government of Vietnam's (GVN) handling of the economy" and the
country's exposure to the global financial crisis. Publicly,
this translates into debate over "how to best stabilize life and
production and the environment for doing business." Referencing
a recent paper that Prime Minister Nguyen Tan Dung requested the
Fulbright Economic Teaching Program (FETP) prepare in October,
Hoa said he and his NA colleagues are very concerned that the
GVN had not yet reigned in state-owned enterprise investment.
This, he stated, is a root cause of persistent high inflation in
Vietnam.

¶4. (C) During the current October 16 to November 15 session, a
number of delegates have spoken at length on the need to
restrict additional state investment into SOEs and to better
supervise current SOE investment practices so that misdirected
investment does not contribute to inflation, he explained. Hoa
believes the National Assembly is getting some traction, noting
that in early November, the GVN announced it would reallocate 10
of 13 Electricity of Vietnam (EVN) power projects to private
sector and foreign investors. The NA has also recommended that
the GVN not invest more money into SOEs, he added.

¶15. (C) How SOE monopolies manage the price of their products (e.g., gas or electricity) is becoming another big concern for NA members, Hoa stated. He says his constituents are frequently pointing out that while the world price of oil has dropped precipitously, the price of petrol in HCMC has come down only slightly. Milk is another important example, Hoa continued, where a drop in the price of imports hasn't been passed along to consumers.

Consumption Shifting, Favoring U.S.

¶16. (C) The National Assembly is also discussing food safety and looking for ways to protect consumers, but already Vietnamese are changing their behaviors, Hoa said. Saigon Coop is Vietnam's largest retail chain, he explained, and is a good indicator of Vietnam's financial health. Despite a "slight" 10 percent slowdown over the last month, his company is still on target for 2008 revenues of USD \$368 million.

¶17. (C) Hoa observed that imported food accounts for 10 percent of Saigon Coop's sales. Over the last few months, Saigon Coop sales of food products from China are down sharply because "people are checking the labels and if they see China, they look for something else", he said. For example, in most of their stores, Saigon Coop has seen sales of Chinese grapes drop sharply and demand for U.S. grapes rise. Hoa said he is working with U.S. exporters to find supplies of apples, pears, grapes, fresh milk, milk powder and even salmon. When asked how, as a National Assembly member, he viewed recently announced tariff hikes on imported chicken, Hoa said that while he was personally opposed as a retailer, it was a government decision enacted by the Ministry of Finance.

Future of Retail Determined by Market, not GVN

¶18. (C) Even in the current turmoil, few are calling for protectionism or a slower pace of economic reform, Hoa noted. In Saigon Coop's case for instance, retail and distribution will be liberalized next January 1, he explained, adding that Saigon Coop has the people, locations and capital to compete with foreign investors. Rather than lobbying the GVN to implement policies that might privilege domestic retailers, Saigon Coop is actively looking for foreign strategic partners to help develop modern retail in Vietnam. In fact, Hoa assessed that the biggest challenge facing Saigon Coop continues to be training (which usually means an international business degree) and retaining enough managers skilled in modern retail.

Comment:

¶19. (C) Saigon Coop had a long history as an SOE before it was reorganized into a cooperative. In fact, the previous chairwoman of Saigon Coop Ms. Nguyen Thi Nghia was also a National Assembly member, as well as a leading HCMC Party member. So when Hoa tells us that delegates are worked up about the GVN's handling of SOEs investment, things are getting serious. That Hoa translated the official line "stabilize life and production and the environment for doing business" into National Assembly concern about "the GVN's handling of the economy" shows not only that delegates know there are limits to what they can say but also they are taking their job as representatives of the people seriously and trying to find ways to ask the questions anyway. End comment.

¶10. (U) This cable was coordinated with Embassy Hanoi.

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